

Message Text

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ACTION EB-08

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00 /097 W

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4408

USLO PEKING

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMEMBASSY SINGAPORE

UNCLAS HONG KONG 3867

E.O. 11652: N/A

TAGS: ETRD, CH, JA

SUBJECT: SINO-JAPANESE TRADE IN 1976 AND PROSPECTS FOR 1977

SUMMARY: TOTAL SINO-JAPANESE TRADE LAST YEAR WAS VALUED AT \$3,034 MILLION, DOWN 22 PERCENT FROM 1975. PRC EXPORTS WERE DOWN 5 PERCENT, REFLECTING PRIMARILY A 24 PERCENT DECLINE IN THE VALUE OF OIL EXPORTS. CHINESE IMPORTS FELL 35 PERCENT WITH THE STEEPEST DECLINES COMING IN THE SECOND HALF AND IN MACHINERY AND CHEMICAL FERTILIZER IMPORTS, DOWN 24 AND 75 PERCENT RESPECTIVELY. PRC EXPORTS TO JAPAN ARE UNLIKELY TO SHOW MUCH, IF ANY, INCREASE IN 1977. IMPORTS, LED BY STEEL AND CHEMICAL PRODUCTS, MAY RISE TO ALMOST 1975 LEVELS. END SUMMARY.

1. PRC-JAPANESE TRADE DURING 1976 AND 1975 WAS AS FOLLOWS:

(US\$ MILLIONS)

PRC	PRC		
EXPORTS C.I.F.	IMPORTS F.O.B.	TOTAL	BALANCE

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1976 1,371 1,663 3,034 -298

1975 1,453 2,260 3,713 -807

PERCENTAGE CHANGE 1976/75

-5 -35 -22

SINO-JAPANESE TRADE DURING THE FIRST AND SECOND HALVES OF 1976 FOLLOWED THE PATTERN OBSERVED FOR TOTAL PRC TRADE WITH THE WEST. PRC EXPORTS PICKED UP DURING THE

SECOND HALF, AND 56 PERCENT OF 1976 EXPORTS WERE DELIVERED DURING THIS PERIOD. IMPORTS SHOWED AN OPPOSITE TREND: GOODS RECEIVED DURING THE SECOND HALF ACCOUNTED FOR ONLY 35 PERCENT OF TOTAL IMPORTS DURING THE YEAR.

2. PRC EXPORTS. THE FOLLOWING ARE THE MAJOR CATEGORIES OF PRC EXPORTS TO JAPAN WITH PERCENTAGES OF TOTAL EXPORTS AND PERCENTAGE CHANGES FROM 1975.

(UNIT US\$ MILLION)

CATEGORY	PERCENT OF		PERCENTAGE	
	TOTAL EXPORTS	VALUE	CHANGE FROM 1975	
A. MINERALS	45	\$625	-22	
OF WHICH,	45			
CRUDE OIL	41	\$570	-24	
B. ANIMAL AND				
VEGETABLE				
PRODUCTS	21.9	\$300	0	
C. FIBERS AND FIBER				
PRODUCTS	19	\$267	-6	

CRUDE OIL EXPORTS TOTALED 6.1 MILLION TONS AND, THOUGH DOWN NEARLY ONE-FOURTH FROM 1975'S LEVEL, STILL RANKED AS THE MOST IMPORTANT PRC EXPORT. COAL EXPORTS TOTALED 321,959 METRIC TONS WORTH \$12 MILLION, DOWN 30 PERCENT FROM 1975.

3. PRC IMPORTS MAJOR PRC IMPORTS WERE AS FOLLOWS:

(UNIT US\$ MILLIONS)

CATEGORY	PERCENT OF		PERCENTAGE	
	TOTAL IMPORTS	VALUE	CHANGE FROM 1975	
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A. IRON AND STEEL	51.5	\$865	PLUS2.7
OF WHICH,			
ORDINARY STEEL	42.2	\$709	-4
B. MACHINERY	17.5	\$295	-24
C. CHEMICAL			
MANUFACTURES	10.2	\$171	-60
OF WHICH,			
CHEMICAL FERTILIZER	4.1	\$ 69	-74

THE PRC TOOK DELIVERY OF 3,060,596 METRIC TONS OF ORDINARY STEEL, UP 14 PERCENT IN QUANTITY FROM 1975. SPECIALITY STEEL IMPORTS, AT 350,014 METRIC TONS, WERE UP 130 PERCENT. BOTH MACHINERY AND FERTILIZER IMPORTS DROPPED PRECIPITUOUSLY FROM 1975, REFLECTING THE END OF WHOLE PLANT-RELATED MACHINERY DELIVERIES AND POSTPONEMENT OF ANNUAL FERTILIZER NEGOTIATIONS. UREA IMPORTS TOTALED 692,360 METRIC TONS, COMPARED WITH 1,169,449 METRIC TONS IN 1975.

4. OUTLOOK FOR 1977. IMPORTS FROM JAPAN WILL PROBABLY

RECOVER WELL IN 1977, BUT LITTLE OR NO GROWTH IS FORESEEN FOR PRC EXPORTS. ACCORDING TO JETRO OFFICIALS IN HONG KONG, CHINA COULD IMPORT UP TO 4 MILLION METRIC TONS OF STEEL FROM JAPAN THIS YEAR, ALMOST TWICE 1975 LEVELS. FERTILIZER IMPORTS SHOULD AT LEAST RECOVER THE 1975 LEVEL (1.5 MILLION MT) AND COULD SURPASS IT. THE OUTLOOK FOR MACHINERY IS LESS CLEAR, BUT SOME RECOVERY, LED BY SHIPMENTS RELATED TO 1975 AND 1976 WHOLE PLANT CONTRACTS, IS LIKELY.

5. PRC OIL EXPORTS MAY EXCEED THE 1976 LEVEL SLIGHTLY IN VALUE TERMS, EVEN IF QUANTITIES ARE SLIGHTLY UNDER 6.1 MILLION MT. TEXTILE EXPORTS MAY ALSO SHOW SOME INCREASES IN VALUE. THESE INCREASES, IF THEY OCCUR, ARE LIKELY TO BE OFFSET BY REDUCED FOODSTUFFS EXPORTS.
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6. CONCLUSION. CHINA'S REAL DEPENDENCY ON JAPAN IS LIKELY TO BE HIGHLIGHTED IN 1977, AS THE PRC CONTINUES TO IMPORT NEEDED CAPITAL GOODS BUT FAILS TO SELL SUFFICIENT PRIMARY GOODS TO PAY FOR THEM. THIS "UNEQUAL" EXCHANGE WILL CONTINUE TO IRRITATE CHINA, BUT, IN 1977 AT LEAST, THERE WILL BE LITTLE SHE CAN DO ABOUT IT.

7. THE ABOVE STATISTICS FROM THE MINISTRY OF FINANCE WERE PASSED TO US BY THE JAPANESE CONSULATE GENERAL IN HONG KONG.
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